

International Business News

India handset maker Micromax sells stake

AFP, New Delhi

Indian handset maker Micromax, which is taking on Nokia and other foreign brands in its home market, has sold a stake to investors in a deal that values the group at more than 440 million dollars.

Micromax Informatics, an aggressive new entrant, sold a "less than 10 percent" stake to three US-based private equity investors for a total of about two billion rupees (44 million dollars), a senior company executive said.

"The deal has just been cracked," senior Micromax executive Andre Augustine told AFP.

The investors are venture capital players Sandstone Capital, Sequoia Capital and Madison Capital Management.

The New Delhi-based company already sells more than one million handsets a month in India's fast-growing mobile market only two years after starting operations.

The group leads a slew of domestic firms which include Spice Mobiles, Videocon and Lava International that have made inroads into the handset market long the preserve of multinationals such as Nokia, Samsung, LG and Motorola.



Indian Bollywood personality Maria Goretti, designer Payal Singhal, actress Tejaswini Kolhapure and TV anchor Parizad Kolah pose on the catwalk at the end of Singhal's show on the fourth day of Lakme Fashion Week (LFW) Winter/Festive 2010 in Mumbai yesterday.

Iraq sets gas field auction for October 20

AFP, Baghdad

Iraq is to hold a public auction on October 20 for the rights to work on three gas fields, an oil ministry spokesman said on Monday.

The sale of the undeveloped fields, which have estimated reserves totalling about 317 billion cubic metres -- bcm (1.1 trillion cubic feet -- tcf), follows two invitations to tender for oil fields last year in which 10 contracts were agreed with foreign energy giants.

"We have decided to hold the gas field auction on October 20," oil ministry spokesman Assem Jihad told AFP.

"All the companies which participated in the oil field auction will be participating, but we will know exactly how many companies will participate on the day of the auction itself."

Oil Minister Hussein al-Shahristani on May 6 invited international energy firms to submit bids for the gas fields, which he said at the time would be held on September 1.

He said 45 companies that had taken part in the two previous rounds of bidding would be eligible to compete and that the contracts on offer would again be service agreements, under which Baghdad pays the foreign company fixed fees based on production quotas rather than a share of profits based on sales.

France's Safran to buy US biometric ops

AFP, Paris

French aerospace and defence group Safran will buy the security business of US firm L-1 Identity Solutions, making it world number one in biometric identification, the Figaro daily reported on Monday.

Safran head Jean-Paul Herteman said in the report that his company would acquire the biometric, identity and recruitment operations of L-1 at a fair price of some one billion euros (1.30 billion dollars).

Herteman said the activities were profitable, growing and had an order book equal to three years of current sales -- put at some 500 million dollars.

Through the deal, Safran "becomes the world number one in biometric security ahead of NEC of Japan and Cogent of the United States", Herteman said.

Identity security is a fast growing market which analysts expect to expand by 15 percent a year through to 2015.

Last week, an aide to French Economy Minister Christine Lagarde told AFP that Safran was preparing an offer for SNPE Energy Materials.

VW chief Piech plans succession

AFP, Frankfurt

German auto magnate Ferdinand Piech, head of car giant Volkswagen and its luxury brand Porsche, will shift his holdings to Austrian foundations to ensure a smooth transition after his death, a press report said Monday.

"I want to ensure the future of our company. That is why, to ensure continuity, I have chosen the solution of foundations," Piech told the news magazine Focus.

Other press reports said the move would prevent a rapid sale of shares in the two auto manufacturers and guarantee that his wife, Ursula Piech, retained control of the fortune should the 73-year-old VW patriarch die.

Head of the VW supervisory board and grandson of Ferdinand Porsche, who founded the sports car maker and designed the VW Beetle, Ferdinand Piech is considered to be the one who makes strategic decisions at the car giant.

ANALYSIS

Unfairness in tax policy must go

ASJADUL KIBRIA

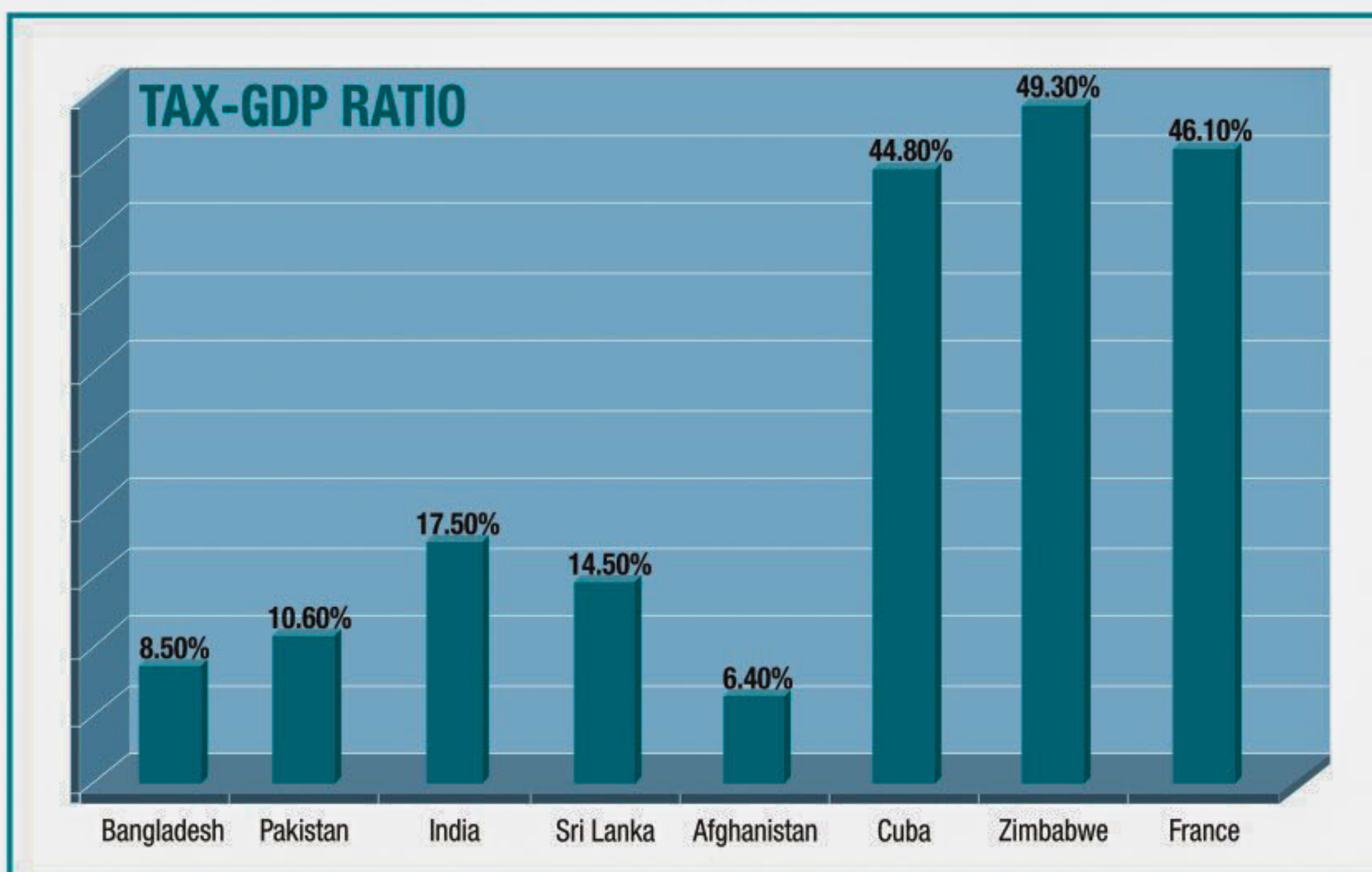
It seems Bangladeshis are reluctant to pay taxes. The narrow tax-GDP ratio of 8.5 percent is a reflection of that. It is one of the lowest in South Asia. Even the decade-long war-torn country of Afghanistan has a tax-GDP ratio of 6.4 percent. Little has been done to raise the figure to double digits.

In fact, the growth rate of the economy is not consistent with the ratio. It is surprising that the ratio was around 7.6 percent in fiscal 2001 but failed to touch double-digit levels even after a decade. The revenue-GDP ratio is, however, a little bit higher at 11.5 percent. Again, this ratio also hovered between 9.5 percent and 11.5 percent during the decade, as taxes account for more than 85 percent of total revenue earnings.

In South Asia, the tax-GDP ratio in India increased to 17.5 percent from 13.5 percent in the same period, while the average ratio for Sri Lanka was 14.5 percent.

According to the US-based Heritage Foundation in its Economic Freedom Index (2009), countries such as Cuba and Zimbabwe have tax-GDP ratios of 44.8 percent and 49.3 percent. The ratios for France and Italy are 46.1 percent and 42.6 percent.

The incumbent government's move to increase tax revenue through mass awareness and encouragement is a welcome step. Finance Minister AMA Muhith disclosed his value of wealth and the amount paid as income taxes, which is good for accountabil-



ity and transparency. According to his disclosure, he paid some Tk 19,130 as income taxes last year. Many regular but small income taxpayers may feel happy that they are paying more taxes than the minister. Rewarding and honouring the highest and long-term taxpayers on national income tax day was also an encouragement for the current, new and potential taxpayers.

But as long as discrimination in taxation continues, encouraging the citizens to pay up through such 'window-dressing' methods will not sustain. The tax authorities as well as the government should address the issue. There are several irrational tax waivers in certain sectors that are unfair.

In the budget for FY11, the finance minister imposed a 10 percent tax on the capital

gains of institutional investors in the capital market. But, individual investors were waived from paying any taxes on capital gains. This is mainly due to pressures from some influential stockbrokers. The rationale behind such a waiver is ridiculous, as it was argued that the share market would melt and investors negatively affected.

Now, when a salaried person with an annual income of Tk 10 lakh is subject to income taxes worth as high as 25 percent, why would a person making the same amount by investing in stocks not pay taxes on that income?

When a person has to pay a 10 percent rate of tax at source for remuneration worth Tk 50,000 for even minor consultancy, why should capital gains worth the same amount be also kept out of

taxation?

Such discrimination will obviously increase social discrimination and frustration among the regular taxpayers. Moreover, a free ride in the capital market has already fuelled speculative behaviour. Although speculation is inherent in the stock market, as without speculators a stock market cannot be vibrant, there should be some regulation. Otherwise, speculation will inflate a bubble that would burst at one stage. Taxes on capital gains can be an instrument to regulate speculation and safeguard small investors.

However, capital gains are not limited to the stock market and so the tax on the gain. A capital gain can be defined as any income generated by selling a capital investment, which can be anything from business

stocks to family businesses and farmhouses. The 'gain' is the difference between the price originally paid for the investment and money received upon selling it. So, there will be a good wide scope to impose capital gain taxes.

Land and real estate is also an important area where such taxation is required, as it also becomes an area for speculative investment. Land prices are increasing and to some extent, without any rationale. Thus, the business becomes lucrative for many, as there are no taxes on gains. High priced land also poses as social discrimination against the poor and the limited income groups.

Taxes on 'income, profits and capital gains' in Bangladesh stands at around 17 percent of total taxes, while it is 41 percent in India and 25 percent in Pakistan. The ratio is 18 percent for South Asia. So, it is important for Bangladesh to increase the share.

A study by the policy analysis unit of Bangladesh Bank in 2006 found that the tax effort index is 0.493 -- which means that the full capacity of tax revenue is not utilised. Therefore, there is a potential to finance the budgetary imbalance by raising tax revenues.

The same study also identified that the tax buoyancy ratio is 1.235, meaning tax revenue is quite responsive to GDP. So, it is time to address the unfairness in the taxation policy to enhance tax efforts for sustainable development.

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LIFESTYLE

Asian middle class fuels theme park boom

AFP, Singapore

When Singapore first announced it was building a Universal Studios theme park, sceptics wondered if the complex would draw enough crowds to be commercially viable.

But just six months after opening, Universal Studios Singapore has already welcomed more than one million visitors, and other countries in Asia are building even bigger theme parks.

Asia has become the new frontier for large-scale outdoor entertainment complexes thanks to growing affluence in large emerging economies like China, India and Indonesia, and cheaper air travel.

"The industry is moving to Asia," said Christian Aaen, Asian regional director of research firm AECOM Economics, which specialises in entertainment and leisure industry analysis.

"With key fundamentals in place such as the growing middle class and incomes in Asia as well as demand for entertainment and leisure time, this is the perfect product for tourism and economic development," he told AFP.

Tokyo Disneyland and Disney Sea, the Universal Studios park in Osaka and South Korea's homegrown Everland ranked among the world's top 10 theme parks in terms of visitors last year, according to industry consultancy Themed Entertainment Association (TEA).

Encouraged by Asia's promise, Universal Studios signed a deal in January to build its largest theme park in the world in South Korea at a cost of around 2.67 billion dollars.

When completed in 2014, the resort will be bigger than Universal Studios' four other parks in Hollywood, Florida, Osaka and Singapore combined.



Visitors taking photographs at Universal Studios in Singapore. Just six months after opening its gates in March 2010, Universal Studios Singapore has already welcomed more than one million visitors, and other countries in Asia are building even bigger theme parks.

Disneyland has not fared well in Hong Kong -- with a 70 million Hong Kong dollar (nine million US) loss last year, according to the South China Morning Post -- but it is going ahead with a new franchise in Shanghai, with construction expected to start in November.

Denmark's Legoland is setting up its first Asian branch in Malaysia's Johore state close to Singapore, hiring builders to use the famous little plastic bricks to replicate national and state landmarks.

A recent Asian Development

Bank (ADB) report said the region's middle class was growing at an exponential rate and poised to become the world's single biggest group of consumers.

In 2008, some 1.9 billion people were broadly classified by the ADB as part of the middle class in Asian developing countries, more than triple the group's size of 565 million in 1990.

China in particular saw its middle class boom, with statistics showing the share of the Chinese population with daily incomes of six to ten dollars

surging from 4.8 to 25.5 percent between 1995-2007.

In India, people in that income bracket increased from about 29 percent in 1993-94 to 38 percent in 2004-05, the ADB report showed.

Wealthy Singapore, which has only five million people, is a major beneficiary of Asia's increasingly mobile middle class families.

Nearly 1.1 million tourists entered Singapore in July -- a record high, thanks in part to Universal Studios -- with Indonesia, China, Malaysia and India

in the top five countries of origin along with Australia.

"As developing Asia's people secure their middle-class status, its emerging consumers are very much expected to become the next global consumers and assume the traditional role of the US and European middle classes," the ADB said.

AECOM's Aaen said the opening of Universal Studios in Singapore "marked the beginning of the new decade where Asia will dominate and remain the primary region for future growth of the industry".